

The Role of Food Companies in Consumer Protection Through the Sustainable Reporting

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Abstract: In the future, a very strong competition will be among companies which operate in the food industry in order to attract consumers by promoting sustainable actions- food safety. This article provides a short overview in the field of sustainable reporting, highlighting why the food company is responsible for consumer protection. Based on data gathered from literature and stakeholder theory, this paper presents the corporate practice on consumer protection. The consumer becomes an agent of welfare, a cornerstone of any building policies and product strategies. He is the key of any sustainable approach developed at the food companies' level.

Key words: consumer, sustainability reporting, food safety, consumer protection, food companies.

JEL Classification: L66, M14, M49

1 Introduction

Businesses of large food companies are carried out around two major objectives: profit and safety food². However, even if profit means financial reporting metrics and safety food means sustainability reporting, it is important to realize that both of them are the actions done by the companies to be successful. Food companies are required to publish financial statements (the main source of knowing about profit) annually. In addition, food companies enlarge the information offered by highlighting the aspects of business sustainability in order to convince the users on responsible corporate behaviour. Recent studies suggest that food companies that use corporate ethical and governance practices and then publically inform the potential investors about them, are better quoted on the capital market than the companies that do not use or do not inform about the corporate ethical and governance practices (Homburg, Hoyer and Koschate, 2005; Grewal, Chandrashekar and Citrin, 2010). By understanding the importance of presenting all these types of information, leading food companies integrate the ethical and corporate governance practices in a comprehensive report which include both financial and nonfinancial information (Eccles and Kruz, 2010). Although the integrated reporting adopters have significantly higher Bloomberg ESG disclosure ratings relative to non-adopters, companies do not adopt integrated reporting as a response to a poor rating (Lai, Melloni, and Stacchezzini, 2014).

If, regarding financial reporting, literature abounds with various studies and positioning (Herry and Waring, 1995; Ward, 1998; Baker and Wallagey, 2000; Healy and Palepu, 2001; Glassman and McAfee, 2006; Minnis, 2011), the nonfinancial reporting is at the beginning, and what exists, at the level of publications, focuses primarily on social and environmental issues (Jenkins, 2006; Perrini, Russo and Tencati, 2007; Falck and Heblich, 2007; Botescu, Nicodim and Condrea, 2008; Udayasankar, 2008; Brown, de Jong and Levy, 2009). Regarding these issues, it must be said that they can hardly be dissociated, both contributing in highlighting what the literature has already confirmed: the responsible corporate reporting.

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² Food safety refers to the conditions and practices that preserve the quality of food to prevent contamination and foodborne illnesses. Food can be contaminated in many different ways. Some food products may already contain bacteria or parasites. The germs can be spread during the packaging process if the food products are not handled properly. Failure to cook or store the food properly can cause further contamination. Properly handling and preparing food greatly reduces the risks of getting foodborne illnesses (University of Maryland Medical Centre, 2015).

Moreover, we are witnessing the process of translocation of the personal attributes to the food company's characteristics, the food company becoming a socially responsible actor (Armstrong and Green, 2013). Philanthropic spirit and attitude, which has been until recently specific to the individual, transpose and now become issues specific to competences portfolio related to food companies' attributes. They become social consciences, assuming new roles and responsibilities in promoting and supporting the responsibility of their own mission, the human resources emancipation, improving the quality of products and services and environmental protection. Social responsibility follows the overall dynamics of international management trends being standardized in packages that can be implemented such as: UN Global Compact, Global Reporting Initiative (GRI) and ISO standards (Sahlin-Andersson, 2006).

Referring to the developed markets, the communities influenced or affected by the food companies' activities enjoy their attention and occupy a central place in the development and implementation of socially-responsible policies and measures. Thus, like all organisations, the food companies rely on the involvement and on the participation of communities in the design and implementation of the processes and activities that directly affect them (Corus and Ozanne, 2012). At the level of undeveloped markets, the negative impact of corporations' activities on communities is not a very important issue for them (Garvey and Newell, 2005).

By taking into consideration all these aspects presented so far, we consider that the consumer's role is clear and decisive with regard to the business development approach. The consumer, by his manifestation in the market, can have a decisive contribution to the food companies' prosperity and affirmation; he becomes the actor around whom the entire businesses system gravitates. The natural question to ask is about how food companies manage to attract and retain consumers. If we consider the first of the two strategic objectives mentioned above, respectively the profit, the answer to such a question can be given by the pricing policy on products that companies sell. The consumers face two problems: less money in the pocket and higher prices on the market. Along with the understanding that the seller aims to increase the price (Bolton and Alba, 2006), one must also understand the consumer who wants a reasonable price. The perception of this price attribute of being reasonable is related to the consumer's assessment ability and to his emotional condition when comparison is made with similar products in terms of acceptability, respectively utility (Xia, Monroe and Cox, 2004). Consumers who perceive price as unacceptable, have a negative attitude on that who applies it (Gebhardt, 2008) and show a self-protective behaviour by complaining on that commercial relationship, and even cancel it (Monroe and Xia, 2006). If we consider the second of the two strategic objectives mentioned above, respectively sustainability – safety food, the answer lies in promoting the specific policies by the food companies in order to obtain and provide products that, in addition to the usefulness, should be friendly to both the consumer and the environment.

And since we talk about the common action of the company to achieve profit and sustainability at the same time, the report entitled *Sustainability for Tomorrow's Consumer*, published by The World Economic Forum (Greenhill. and Sarita, 2009), states the directions that have to be considered when talking about sustainability:

- *“Understanding the implications of increased consumption and resource volatility on cost structures and business models and establishing the need for disruptive innovation;*
- *Exploring breakthrough lifecycle innovations towards a sustainable consumer basket;*
- *Having an impact on the future playing field for sustainability by engaging stakeholders such as investors and regulators.”*

In this way, ideas appear to encourage a proactive behaviour of consumers. There is a redefinition of the consumers' role by encouraging the development of the relationship between them and the food company that provides more than just the

opportunity to ensure the product they need. Here, we refer to the confidence in the company's products, in the quality and the safety of products. Safety food means to be more and more important for the nowadays society. The „FDA - Food Safety Modernization Act” promoted by the US Government states in the Section 405, „*National food safety training, education, extension, outreach, and technical assistance program*” at the point (b) *Integrated Approach* that “*The grant program shall be carried out under this section in a manner that facilitates the integration of food safety standards and guidance with the variety of agricultural production systems, encompassing conventional, sustainable, organic, and conservation and environmental practices*”(US FDA, 2011).

On this background, innovation occurs as a way to push things forward, a way to meet long-term demands of consumers, especially those relating to value. Food companies must make their approach known by presenting both financial and nonfinancial information, practically by sustainable reporting. It is the way to be more expressive, more direct and more understandable to all who aim to obtain value. Sustainability reporting is the path to financial stability and sustainability of any type of business in the current society, the way that takes into consideration both of the company's objectives: the food safety and profits. The paper is organized to offer research methodology, then in the second section the footprints from literature regarding sustainability reporting and consumer care and in the third section the findings. Finally, - the last section - presents the conclusions.

2 Research methodology

In this review article, through a qualitative content analysis of a number of studies about the relationships between companies and their customers, we try to highlight the importance of sustainability reporting in safety food (consumers care). To review the literature, we searched research articles, reports and legal texts until April 2015 in Thomson ISI, Scopus, ScienceDirect and U.S. Food and Drug Administration Databases using key words and combinations of key words, including reporting, sustainability, corporate, social, safety, food, customer and environment. Because the ideas of sustainability reporting and consumers care are not presented in a large manner, we used short paragraphs as analytical units. Such a manner gives us the possibility to find the important aspects, which were then coded and revealed enough substance to sustain our idea that sustainability reporting is associated with consumers care and that the companies are responsible for consumers protection.

The stakeholder theory is, in our opinion, the most appropriate theory to explain the consumer's role and importance for the development of food companies. At this moment it is necessary to bring up for discussion the broader perspective of the stakeholder theory (an individual can be part of more than one stakeholder group (Freeman, 1984)) and the narrow view of stakeholder theory (stakeholders are those groups that are necessary for the survival of food company (Mitchell, Agle, and Wood, 1997)). This paper adheres to the narrow perspective of the stakeholder theory.

3 Sustainability reporting and consumers care

We start our debate regarding sustainability reporting and consumers care from the interesting statement of Thomas R. Frieden, the Director of Centres for Disease Control and Prevention (CDC, 2011): „*Foodborne diseases affect tens of millions of people and kill thousands in the United States each year. They also cause billions of dollars in healthcare-related and industry costs annually.*” This represents a challenge for all our societies: to find solutions to assure the populations that the products are safe.

The „FDA Food Safety Modernization Act” is, in our opinion, such a solution. In the Section 105 “Standards for Produce Safety” of this law there are proposed rulemaking which shall:

“(D) take into consideration, consistent with ensuring enforceable public health protection, conservation and environmental practice standards and policies established by Federal natural resource conservation, wildlife conservation, and environmental agencies” (US FDA, 2011). Among multiple possible solutions, the sustainability reporting is a useful tool for companies to promote their policies regarding safety food. The interaction of the company with its society and environment has created an inseparable relationship with its stakeholders and environment (Everett, 2004; and Cooper et al., 2005). The concept of sustainability seems to mirror this inseparable relationship. Until now, in the literature, a widely accepted definition of “sustainability reporting” has not yet been developed. Academic articles and business press use the term, but in fact they talk about “sustainability” or “corporate social responsibility”. Sustainability reporting is one method for companies to publicly communicate information about their CSR activities and initiatives (Hughen, Lulsegged, and Upton, 2014). Through sustainability reporting, companies are supposed to provide a complete and balanced picture of corporate sustainability performance. Sustainability reporting becomes an important communication tool for companies to disclose their sustainability plans and performance and enhance stakeholder confidence. For food companies, reporting represents an indirect way to dialogue with stakeholders. Reporting is both the vector that provides information on the current situation of the food company, its strategy and future direction, and the key and basis of any deep discussion about the sustainability of its products and its approaches to competitiveness, development and supremacy in the market. The demand for business information seems to disagree with the coldness and objectiveness of financial reporting figures, by focusing more on reports which present in details, on a nonfinancial manner, data and information about products, suppliers, consumers, food companies politics and actions regarding the assumed role as an organism responsible and accountable for its actions.

The food companies’ managers are aware that through a sustainability reporting they can successfully accomplish their managerial objectives. Sustainability reporting shows the promise to help corporate leaders and their employees to contribute towards achieving sustainable societies (Lozano and Huisinigh 2011).

Regarding the sustainability reporting, there are concerns about the completeness and credibility of these reports (Adams, 2004) and the motives for which the managers prepare them (O’Dwyer, 2003). However, taking into account that many researchers in the field of sustainability reporting are motivated by a desire to see improvement in the sustainability performance of companies (Adams and Gonzalez, 2007), we consider that there will be enough room for improvements, by creating a Framework for sustainability reporting and for a universal application of the sustainability reporting.

In the literature, there are several theories which attempt to explain motivations for embracing the sustainability path (Garriga and Mele, 2004). According to a Financial Times article by Maitland (2003), “many companies are concluding that they cannot afford not to invest in being seen as responsible.” Although this study is based on the stakeholder theory, it is necessary to point out two other theories which could explain the consumer care about the food companies, such as integrative and ethical theories. These suggest that companies engage in socially responsible activities because they have a normative (moral) commitment to serve multiple stakeholders (Berman, et.al., 1999; Garriga and Mele, 2004; Matten and Crane, 2005). Consumers, the most important stakeholder in this context, are different. Today we meet with ‘greener’ and ‘ethical’ consumers asserting themselves more and more often. Changing consumer preferences are also going to prove to be a tipping point for food companies to be aware and act consequently.

The business development is related to the consumer attitudes on business. Each category of stakeholders (consumers, shareholders, employees, managers and so on) is making different choices. The perception of food companies on the importance of consumers is an approach that is taking shape not only from business environment, but also from the

governments which are actively involved in supporting and promoting measures by which the consumer has to be respected. The legislation in the United Kingdom, for example, requires public listed companies to disclose the risks of ethical, social and environmental concerns in their annual reports (Porter and Kramer, 2006).

During the last decades, the consumers have become almost a natural resource for the food companies development. The food company has to promote its best policies to attract and to maintain the consumers inside the business. There are a lot of food companies which understood this and provide models for “conserving” this natural resources base. These food companies, which realize that they depend on consumers, maintain a good balance between interior and exterior processes of the company. If only one of these things moves out of balance, then everybody suffers.

A sustainability report based on production and presentation of complex information, usually voluntarily, extends the information contained in traditional financial statements. Its use may be justified by reference to the stakeholder theory, according to which companies should create wealth for all stakeholders, in contrast to the traditional financial reporting which is based on creating value, mainly, for investors and lenders (IASB Framework, 2010). The basic proposition of the stakeholder theory is that the company’s survival depends on its successful management of relationships with stakeholders. Although the food company interacts with many groups of stakeholders, its survival depends on the consumers. Lately, consumers seem to be attracted by the “green” product. *“Consumers have a strong demand for wine which is produced using “green” production practices. Consumers believe that the quality of sustainable wine will be equal to or better than conventionally produced wine, and they are prepared to pay a higher price for this wine.”* (Forbes et al., 2009)

4 Sustainability domains and the perception of food companies

In recent years, sustainability has evolved from a concept on the company's impact on the environment in which it operates, to an overall management concept based on three pillars, namely environment, social and economic sustainability, known as “triple bottom line” – TBL or three pillars - profit, people, planet. TBL concept is addressed to stakeholders that participate directly or indirectly impacted by the food company's actions. Principles of sustainability have as a main objective the development of globalized food companies, through the participation of all major economic actors (governments, food companies, society) with respect to the environment and people.

Environmental sustainability

The environment is profoundly affected by the activities of the companies. Due to an increasing awareness in environmental impact, consumers are more sensitive towards green products when making their purchasing decisions. On the other hand, the companies react more flexibly at this signal and adapt their products to the new requirements. *“Furthermore, products with environmental consideration are no longer simply the choice of a few eco-conscious customers, but have now shifted into the mainstream market* (Kanchanapibul et al., 2014).

The company which becomes sustainable involves not only the making of more sustainable products but also the use of more sustainable processes for the production of those products (Pusavec, Krajnik and Kopac, 2010). Companies penetrate into the market by satisfying the consumer’s demands, and the consumer, as an individual, is the basic element of modern society. The awareness of those things leads the companies to offer varied and transparent information. This constitutes a strong attribute for the performance of the food companies. Food companies are turning to their stakeholders, entering and feeding relationships without which their existence would not be possible (Freeman et al., 2010). The ignorance of nonfinancial aspects of performance by the food

companies causes loss of market share and value and change negatively the way in which the products of the company are perceived by clients (Pintea, 2011).

The managers of large corporations realize that the product policy is best valued from the consumer perspective. However, the more consumers are satisfied, the better product will record higher sales. Companies have responded by introducing a variety of green initiatives such as green supply chain management (Tseng et al., 2013), innovation practices (Lin, Tan, and Geng, 2013) and green products design.

The positioning of the top management of the food companies provide certainty to this new guidance on reporting that is required to be made.

Social sustainability

The term social sustainability of the food company is used to cover a broad area of concepts in scientific literature, making its exact definition to be ambiguous. The broadening of its coverage area has been presented in contemporary literature by including the term stakeholders and implicitly many other aspects related directly or indirectly to the food company's life. Inaccurate terminology is generated also by its dynamic character and changing result of its alignment with current social problems. Social sustainability orientation does not eliminate the problem of food company profitability, which remains the main reason for its existence, but add, on the management agenda, social problems resulting from the activity of the company and how they affect communities (Nasrullah and Rahim, 2014).

The social sustainability practiced by the food company has to determine a natural process of selecting good managers who can adopt such policies, and promote specialized activities such as social or ethical audit (Cespa and Cestone, 2007). Participation of stakeholders, well informed about the policy adopted by the food companies, ensure their sustainable development. The gain from the synergy between the company and stakeholders stimulates the creation and alignment of the food company's social policies to the current requirements of the society.

Economic sustainability

It seems essential the need to provide guidelines for the creation of a true and fair view of sustainable reporting. The business of large food companies cannot and should not be seen only through the information that shows financial stability because the food companies are living organisms. Basically, this is achieved by sustainable reporting, informing the public about economic responsible actions, the steps for a green planet and a clean environment.

Things began slowly, given the traditional culture of the business environment - business for profits. But businesses progress well and they are about to become sustainable, without reducing profit. It is said that a good title provides more than 60% chances of selling a book, so you must agree that those who promote the culture of nowadays corporations know how to do it, they do it very well and convey a lot, including the idea of evolution.

We bring into question the sustainability of the product and hence the sustainability of the business. We go a little under what we are accustomed to, advocating for a change in perception and claim that a sustainable product is the key to business success. No matter how involved we were in environmental protection campaigns, how many social projects support and run (without minimizing human value), we cannot change the perception of the products that do not meet the consumers' needs. The consumer validates corporate actions on economic responsibility, while not all food companies have the same level of involvement in such activities that generate additional costs.

5 Conclusions

Based on the results of this study, we can highlight the importance given by the food company to its consumers. Another important aspect reflected in the study is the one that gives the required notice of balance, meaning that it promotes the idea that a food company cannot get from stakeholders more than it can give. First, the results of the study promote the food company's management orientation for their stakeholders. Although, so far, we have not made reference other than the management of food companies, to be responsible for providing a comprehensive image about the business, we must say that the financial accounting system is the part aimed to perform the entire procedure for financial support and responsible attitude. Purely financial reporting, still satisfactory at the time of this article, should be seasoned with everything we have shown, that is, courses of action are moving into consumer requirements.

Secondly, the results of this study have provided clear signs of positioning consumer in the top list of stakeholders. The consumer is the key to any sustainable approach developed at food companies' level. Product sustainability translates now through performance and corporate ethics, leading to the strengthening of headquarters of a successful business in food industry: profit and safety food.

The results of the study reflect the importance of consumer for the food company, the acceptance of the consumer in everything that means strategy, action plan and activities at the food companies' level. Consumer becomes an agent of welfare, a cornerstone of any building policies and product strategies. Limitations of this study are given by the little part of literatures used as basis for analysis and support for our results.

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